

# **The Board of the Pension Protection Fund**

## **Audit Committee**

### **Terms of Reference**

#### **Preamble**

The Audit Committee (the Committee) is formally a Committee of the Non-executive Committee, which has authorised the Committee to discharge certain functions on its behalf.

#### **Membership**

The Committee will consist of three or more Non-executive Members of the Board of the Pension Protection Fund (“the Board”), at least one of whom shall have recent and relevant financial experience. The Chairman of the Board shall not be a member of the Committee. One of the members will be designated the Chair of the Audit Committee.

Two members of the Committee, one of whom will be either the Chair of the Committee or his nominee, will constitute a quorum.

#### **Secretary**

The Secretary to the Board will provide secretarial support to the Committee.

#### **Meetings**

The Audit Committee will meet at least four times each year. The Chair of the Audit Committee may convene additional meetings.

The Committee may invite any Non-executive Member of the Board, any employee of the Board, a representative of External Audit, and external advisers to attend all or part of any meeting.

The Committee shall meet the external auditor at least once a year, without any invited members being present, to discuss their remit and any issues arising from the audit.

#### **Access**

The Head of Internal Audit and the representative(s) of the External Auditors will have free and confidential access to the Chair of the Audit Committee.

## **Reporting**

The Committee will report formally to the Non-executive Committee after each meeting. A report of the Committee's work (including an assessment of its effectiveness) will be provided to the Board, via the Non-executive Committee, at the end of each year, to form part of the Board's Annual Report to the Secretary of State.

The Committee may at any point report directly to the Non-executive Committee on any matter of concern arising out of its work.

## **Responsibilities**

In accordance with section 112(4)(a) of the Pensions Act 2004, the Committee will keep under review the question as to whether the Board's internal financial controls secure the proper conduct of its financial affairs.

Specifically this will include:

- evaluating the effectiveness of the Board's internal controls and risk management. This will include a review of the statement to be included in the Annual Report concerning internal controls and risk management
- reviewing the Corporate Governance arrangements of the Board
- being satisfied with the appropriateness and consistency of accounting policies, and with the integrity both of the accounts, and of the Annual Report of the Board. This will include an evaluation of the process for reviewing the accounts prior to their submission for audit, the levels of error identified and management's letter of representation to the external auditor
- monitoring invitations sent out to tender for Internal and External Audit services
- giving approval (in exceptional circumstances) for any purchase of non-audit services from contractors who also provide audit services
- approving the appointment and removal of Internal and External Auditors
- reviewing the planned activity, results, effectiveness and independence of both the Internal and External Audit functions
- receiving and considering any report from the Board's Internal or External Auditors
- receiving and considering any report from the Board's Actuary

- reviewing the underlying assumptions made on the valuation of the Pension Protection Fund's liabilities
- monitoring and, when necessary, challenging the adequacy of management responses to issues identified by audit activity, including the response to External Audit's management letter.

The Committee will have authority to commission any reports or advice that it needs to fulfil its responsibilities. The Committee will be responsible for the selection and appointment of any advisers that it needs.

The Committee may obtain outside legal or other professional advice on any matter within its terms of reference.

The Committee may require any other officials of the organisation to attend a meeting to assist it with its discussions on any particular matter.

### **Whistleblowing**

The Committee will review the Board's arrangements for its employees, or any other person, to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow the proportionate and independent investigation of such matters and appropriate follow up action.

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